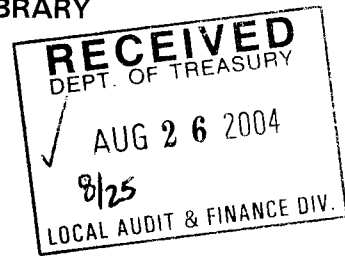


LAKE ODESSA COMMUNITY LIBRARY

Lake Odessa, Michigan
Ionia County
34-8000
Financial Statements
February 29, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lake Odessa Community Library	County Ionla
Audit Date 2/29/04	Opinion Date 6/18/04	Date Accountant Report Submitted to State: 8/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

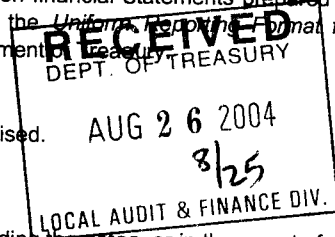
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

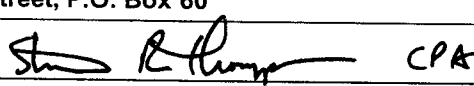
You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).



We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Biggs, Hausserman, Thiompson, & Dickinson, P.C			
Street Address 356 E. Main Street, P.O. Box 60		City Saranac	State MI
Accountant Signature  CPA		ZIP 48881	Date 8/23/04

Lake Odessa Community Library

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Combined Balance Sheet – All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	3
Notes to Financial Statements	4-8

INDEPENDENT AUDITOR'S REPORT

To the Library Board
Lake Odessa Community Library

We have audited the accompanying general purpose financial statements of Lake Odessa Community Library as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lake Odessa Community Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lake Odessa Community Library as of February 29, 2004, and results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Biggs, Hausserman, Thompson + Dickinson

Biggs, Hausserman, Thompson & Dickinson, P.C.
Certified Public Accountants

June 18, 2004

Lake Odessa Community Library
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
February 29, 2004

	Governmental Fund Type	Account Groups		Totals (Memorandum Only)
	General	General Fixed Assets	General Long- Term Debt	
Assets				
Cash in bank	\$ 35,925	\$ 0	\$ 0	\$ 35,925
Taxes receivable	97,281	0	0	97,281
Building and improvements	0	257,854	0	257,854
Furniture and equipment	0	84,662	0	84,662
Amount to be provided for retirement of long-term debt	0	0	114,362	114,362
Total Assets	\$ 133,206	\$ 342,516	\$ 114,362	\$ 590,084
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 1,677	\$ 0	\$ 0	\$ 1,677
Notes payable	0	0	112,034	112,034
Compensated absences	0	0	2,328	2,328
Total Liabilities	1,677	0	114,362	116,039
Fund Equity				
Investment in general fixed assets	0	342,516	0	342,516
Fund balances				
Undesignated	131,529	0	0	131,529
Total fund equity	131,529	342,516	0	474,045
Total liabilities and fund equity	\$ 133,206	\$ 342,516	\$ 114,362	\$ 590,084

Lake Odessa Community Library
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 Year ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$ 128,500	\$ 134,318	\$ 5,818
Penal fines	36,000	33,840	(2,160)
State revenue sharing	3,000	2,510	(490)
Interest	1,500	837	(663)
Contributions - other units	3,000	3,000	0
Contributions - other	500	3,489	2,989
Miscellaneous	6,400	12,698	6,298
Total Revenues	178,900	190,692	11,792
Expenditures			
Wages	63,031	67,929	(4,898)
Payroll taxes	4,822	5,197	(375)
Fringe benefits	1,724	907	817
Books	13,499	15,220	(1,721)
Periodicals	1,100	962	138
Education	464	621	(157)
Insurance	2,600	3,016	(416)
Memberships and dues	393	418	(25)
Postage	200	230	(30)
Communication	1,250	1,015	235
Goodwill	800	696	104
Printing & Publishing	400	564	(164)
Utilities	5,352	5,048	304
Professional services	1,500	1,475	25
Co-op fees	11,085	10,514	571
Mileage	1,000	1,003	(3)
Refuse	156	156	0
Supplies	8,400	10,288	(1,888)
Programs	1,800	1,866	(66)
Repairs and maintenance	5,500	5,438	62
Capital outlay	6,589	5,828	761
Debt service	39,308	39,308	0
Total Expenditures	170,973	177,699	(6,726)
Excess (deficiency) of revenues over expenses	7,927	12,993	5,066
Fund balance, March 1	118,536	118,536	0
Fund balance, February 28	\$ 126,463	\$ 131,529	\$ 5,066

Lake Odessa Community Library
Notes to Financial Statements
February 29, 2004

Note A - Summary of Significant Accounting Policies

The accounting policies of Lake Odessa Community Library, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

1. **Basis of Presentation**

The financial activities of the local unit are recorded in separate funds and account groups, categorized and types described as follows:

Governmental Fund

The General Fund is used to account for all financial transactions not required to be accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from state distributions, property taxes, grants and other intergovernmental revenues.

Account Groups

General Fixed Assets Account Group presents the fixed assets of the local unit utilized in its general operations. Purchases of fixed assets are recorded as expenditures in the General Fund at the time of acquisition. Such assets are capitalized at historical cost and reported in the General Fixed Assets Account Group.

General Long-Term Debt Account Group presents the general long-term debt of the Library.

2. **Basis of Accounting**

The modified accrual basis of accounting is used by all Governmental Fund and Agency Funds. Revenues and other sources are recognized in the accounting period which they became susceptible to accrual – that is when they became both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred.

Lake Odessa Community Library
Notes to Financial Statements
February 29, 2004

Note A - Summary of Significant Accounting Policies - Continued

3. General Fixed Assets

Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. The Library has also maintained a record of its general fixed assets as required by generally accepted accounting principles.

4. Investments

Investments are stated at cost.

5. Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Library Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Library Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Library Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets, there were no amendments that were approved by the Library Board during the fiscal year.

6. Compensated Absences

The Library Director is allowed to accumulate unused sick days and therefore, they are recorded in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences" in the General Long-Term Debt Group of Accounts.

Lake Odessa Community Library
Notes to Financial Statements
February 29, 2004

Note A - Summary of Significant Accounting Policies - Continued

7. Property Taxes

Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

8. Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Library contain all the funds and account groups that are controlled by or dependent on the Library's executive or legislative branches.

9. Total Columns on Combined Statements

The total column on the Combined Statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Lake Odessa Community Library
Notes to Financial Statements
February 29, 2004

Note B - General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 3/1/03	Additions	Deletions	Balance 2/29/04
Building and improvements	\$ 257,854	\$ 0	\$ 0	\$ 257,854
Furniture and equipment	79,712	4,950	0	84,662
Totals	<u>\$ 337,566</u>	<u>\$ 4,950</u>	<u>\$ 0</u>	<u>\$ 342,516</u>

Note C - Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	Balance 3/1/03	Additions	Deletions	Balance 2/29/04
Mortgage payable	\$ 146,204	\$ 0	\$ 34,170	\$ 112,034
Compensated absences	246	2,082	0	2,328
Totals	<u>\$ 146,450</u>	<u>\$ 2,082</u>	<u>\$ 34,170</u>	<u>\$ 114,362</u>

Note D - Mortgage Payable

On February 4, 1997, the Library purchased a building on Fourth Avenue in Lake Odessa. As part of this purchase a mortgage from Union Bank was obtained in the amount of \$154,000.00.

On March 30, 1999, the Library obtained a new mortgage loan from Union Bank in the amount of \$170,986.11. The new mortgage loan proceeds were used to pay off the old mortgage loan in full and to generate approximately \$20,000.00 in operating capital.

The new mortgage loan requires twenty annual payments beginning April 2, 2000 in the amount of \$14,308.00 including interest at a variable rate. The interest rate on February 29, 2004 was 2.75%. The final payment will be adjusted for the effects of rate changes over the life of the mortgage.

Note E - Pension Plan

As of February 29, 2004, the Library does not have a pension plan. The Library does provide a deferred compensation (Sec. 457 plan) to its employees.

Lake Odessa Community Library
Notes to Financial Statements
February 29, 2004

Note F - Postemployment Benefits

The Library provides no postemployment benefits to retirees.

Note G - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note H - Deposits

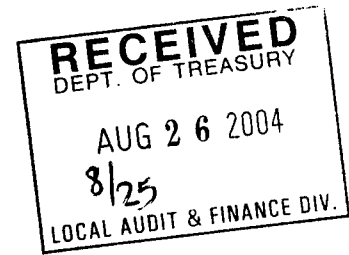
The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end is as follows:

<u>Deposits</u>	<u>Bank Balances</u>
Insured FDIC	\$ 40,030
Total Deposits	<u>\$ 40,030</u>

At year end, the balance sheet carrying amount of deposits was \$35,925.

June 18, 2004

To the Library Board
Lake Odessa Community Library
Lake Odessa, Michigan



We have recently completed our audit of the general purpose financial statements of the Lake Odessa Community Library for the year ended February 29, 2004. As required by generally accepted auditing standards, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

We conducted our audit of the general purpose financial statements of the Lake Odessa Community Library in accordance with generally accepted auditing standards. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for the devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the general purpose financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit.

Accordingly, the fairness of representations made through the general purpose financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the general purpose financial statements is confined to the expression of an opinion on them. The general purpose financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those that have, on a relative basis, more importance to the general purpose financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective of an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an auditor provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion".

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing Standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

COMMENTS AND RECOMMENDATIONS

Our procedures, which were made for the limited purpose described previously, would not necessarily disclose all material weaknesses in the system of internal control. Accordingly, we do not express an opinion on the system of internal control structure of the Library taken as a whole. However, we would like to make the following comments and recommendations.

- **GASB 34**

GASB 34 was recently approved which will significantly modify the accounting procedures used for governmental entities. The effective date for the Library is the fiscal year beginning March 1, 2004.

GASB 34 will require the depreciation of fixed assets owned by the Library. To facilitate this, the library should continue to maintain it's fixed asset schedule. Annual purchases should be added while disposals should be deleted.

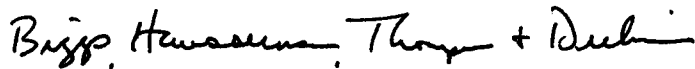
- **BUDGET**

The expenditures for the year ended February 29, 2004, did exceed the budgeted amounts for the Library. The amount was not significant, but it should be noted that the Library is required to amend its budget if actual expenditures exceed the budgeted amount.

If we can be of assistance with any of the above comments, or if there are any questions, please contact our office.

We would like to express our appreciation for the cooperation extended to us by the Library officials during the course of the audit. It is a pleasure providing professional services to the Lake Odessa Community Library.

Very truly yours,



BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

BHT&D/rss